



**Director of
Central
Intelligence**

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CENTRAL AMERICA: Crackdown in Guatemala

The Guatemalan Government's suppression of a rally protesting electoral fraud will heighten domestic tension and international criticism of the regime. The Salvadoran election process, meanwhile, is intensifying against a backdrop of increasing domestic and regional pressures on the cogoverning Christian Democrats. Although recent insurgent raids on several cities and towns in eastern El Salvador have generally caused little damage, [redacted]

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In Nicaragua, the regime--worried about adverse international publicity--has reacted swiftly and angrily to the defection on Sunday of two Sandinista Air Force officers. [redacted]

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Guatemalan authorities yesterday temporarily detained the three losing presidential candidates after forcibly dispersing a demonstration by their supporters in the capital. In an unprecedented effort, the three losers had called out their backers for a combined protest against the declared victory of ruling coalition candidate General Guevara in the election held last Sunday. Charging the government with fraud, they had demanded that the election be nullified and a new vote held within 60 days. [redacted]

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Comment: The government's heavyhanded response indicates an aggressive state of mind and suggests that the authorities may strike out at some of their political enemies during the next few days. [redacted]

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The collaboration among the three losing candidates and the regime's suppression of dissent will lend further credence to the charges of vote tampering. The election and its aftermath ensure growing public cynicism and a deepening of the international isolation in which Guatemala has languished for several years. [redacted]

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Salvadoran Electoral Activity

Four of the parties contesting the elections scheduled for 28 March have presented full slates of candidates for the constituent assembly in all of the country's 14

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departments. These parties include the cogoverning Christian Democrats and the two major rightist groupings, Roberto D'Aubuisson's ultraconservative National Republican Alliance and the National Conciliation Party. One other rightist party will field candidates in most departments, while another is on the ballot in more than half. [REDACTED]

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The Central Elections Council claims that the leftist but noninsurgent-affiliated Renewal Action Party did not make the deadline for registration of assembly candidates. Disputing this, the party head has charged the Council with fraud. The Christian Democrats also have asked the Council to reconsider. [REDACTED]

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Comment: The success of the parties in fielding complete slates gives voters definite choices and thus should enhance voter turnout. The parties' success also casts doubt on the effectiveness of guerrilla efforts to inhibit political organizing in individual departments. [REDACTED]

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The Christian Democrats' request that the decision be reconsidered reflects their concern that exclusion of the only leftist party will reinforce insurgent claims that the elections are not representative and therefore not valid. The Christian Democrats probably also regard this party as their most likely supporter in any coalition. [REDACTED]

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Pressure on the Christian Democrats

//Former Costa Rican President Oduber has proposed to US officials that a coalition of regional Christian and Social Democrats invites insurgent leftist spokesman Ungo to meet under their sponsorship with the new Salvadoran Government to discuss a cessation of hostilities. Oduber's proposal assumes a Christian Democratic victory.//

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Comment: //Oduber apparently wants Ungo to get the insurgents to stop fighting or admit that he does not control them. In the latter case, he would be pressured into breaking with the rebels or losing his international support.//

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Army Repels Insurgents

After bitter fighting on Monday, the Salvadoran Army drove insurgents from the departmental capital of San Miguel. The guerrillas also were driven off after attacking San Vicente, San Sebastian, and Santa Rosa de Lima.

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Comment: The Salvadoran military

has taken appropriate defensive measures. Although the Army can prevent the insurgents from seizing and holding major

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population centers, the presence of a large international press contingent in El Salvador assures the guerrillas considerable propaganda for their actions. [REDACTED]

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Sandinista Reaction to Defections

Nicaragua's official media reported prominently the defection of two military officers within a few hours of their arrival in Honduras aboard a Sandinista Air Force C-47 aircraft. The government characterized the defection--including that of the Air Force's Chief of Transportation--as a maneuver planned by the CIA to destabilize the Sandinista regime and confuse national and international opinion. [REDACTED]

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Comment: The government is concerned that Washington and others will use the officers' knowledge of the Sandinista military and Nicaraguan arms shipments to Salvadoran insurgents to tarnish even further the regime's international reputation. [REDACTED]

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CHINA - CENTRAL AMERICA: Qualified Support for US

China's public statements about Central America recently have become more critical of the US, although Chinese officials privately say that they support US aims in opposing Cuban and Soviet inroads in the region.

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The Chinese privately profess support for some US policies in Central America, including the Caribbean Basin initiative, to promote stability. On El Salvador, Beijing has withheld public endorsement of other approaches, including the Mexican-French proposal for unconditional talks, and has avoided direct criticism of the Duarte government or the impending elections. The Chinese, however, continue to play to Central American audiences by describing US policy in El Salvador as "interference" that only benefits Cuba and the USSR.

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China's desire to dissociate itself from Washington stems in part from the Taiwan problem and from its recent effort to identify more closely with Third World causes. Beijing is criticizing the US on selected issues and publicizing its own alignment with general leftist causes in Central America to improve its image there.

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Comment: The Chinese will continue publicly to criticize the US and privately to counsel against direct US military intervention. At the same time, however, they almost certainly will avoid diplomatic actions that would complicate US efforts to check Soviet and Cuban policy in the region.

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USSR: Decline in Industrial Output

Civilian industrial production fell an estimated 3.5 percent in January compared with January 1981--output declined in every major sector except electric power and gas.

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Slow growth and inadequate investment have created a taut economy in which a breakdown in production or distribution in any part of the USSR quickly causes secondary disruptions elsewhere. Moreover, the economy is particularly strained in January, when space heating requirements are high and many industrial processes require larger-than-usual supplies of energy.

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The effects of the energy shortage were felt throughout the economy in January. Cement, steel, and paper--which require considerable amounts of energy--suffered declines.

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IRELAND: New Government

//The tenure of the new minority government headed by Prime Minister - designate Haughey could be cut short by economic difficulties or by problems with his party.//

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//Neither Haughey's Fianna Fail Party nor the incumbent Fine Gael - Labor coalition won a majority of the parliament's 166 seats in the election last month. Fianna Fail did gain a plurality, however, and Haughey was able to win yesterday by a vote of 86 to 79 by convincing most independents and minor party members to support him.//

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Comment: //Haughey will be concerned primarily with finding a solution to the economic crisis. Inflation is currently running about 23 percent annually, and unemployment is just under 13 percent, with no relief in sight.//

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//The new budget that Haughey will submit soon is likely to be almost as austere as the one that toppled the FitzGerald government. Haughey's budget probably will be approved by parliament, however, because he almost certainly made concessions to win the support of minor parties and independents.//

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//The support is likely to dissipate quickly if the economy does not begin to respond within the next few months. Moreover, Haughey barely survived an internal party revolt late last month, and if his party's popularity continues to wane he may be removed before the parliament has a chance to bring down the government.//

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POLAND: Internees Reject Exile

A leading Catholic intellectual in Krakow who counsels Solidarity internees has told a US Consulate officer that the vast majority consider accepting the regime's offer of exile tantamount to desertion. He claims that Solidarity has been holding votes in the camps to formulate a uniform policy and to present the majority opinion to the authorities. In a statement reportedly smuggled to the West, internees in one camp denounced the government offer as blackmail and called for an investigation by international human rights groups. Meanwhile, the government is putting pressure on internees and their families to leave Poland. [REDACTED]

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Comment: The regime's ploy to rid itself of Solidarity militants and a major international embarrassment is backfiring. Solidarity will use this emotional issue to revitalize its organizing efforts. The offer also is again focusing international attention on human rights violations and earning new criticism from the West. [REDACTED]

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SOUTHERN AFRICA: Frontline Summit Results

Leaders of the Frontline States, who met over the weekend in Maputo, agreed to coordinate military plans in response to South Africa's aggressive activities in the region and to increase their support to the African National Congress--the principal South African black nationalist group--and to the South-West Africa People's Organization. Leaders of both these groups attended the meeting. [REDACTED]

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Comment: Despite the rhetoric in the communique, military cooperation among the Frontline States and support for the ANC and SWAPO probably will not increase markedly any time soon. The attendance of all Frontline presidents as well as some of their key advisers on Namibia suggests that the Western Contact Group's proposals for an independent Namibia also were discussed, but no consensus apparently was reached over this contentious issue. [REDACTED]

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UK: New Budget

//In presenting the budget yesterday, the Chancellor of the Exchequer reaffirmed the government's basic economic strategy for reducing the current 12-percent annual inflation rate to single digits by the end of this year. He also introduced measures totaling about \$5.7 billion to stimulate industry and reduce unemployment, currently around 3 million. Income tax rates will not be reduced, but the tax threshold will be raised, the national insurance surcharge will be lowered, and unemployment insurance, child benefits, and retirement pensions will be increased. Total government borrowing is expected to be \$17 billion this year.//

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Comment: //This budget probably represents the launching of the government's campaign for the election that will have to be held no later than May 1984. It is intended to signal that the worst of the recession is over, thereby satisfying the Tory right wing and vindicating Prime Minister Thatcher's entire program. It also satisfies some if not all the complaints of Thatcher's critics in the party, who will increasingly rally around her in hopes of presenting a united front.//

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CHINA - WESTERN EUROPE: Contacts With Communist Parties

//The high-level hospitality accorded the French Communist Party delegation by the Chinese and their apparently successful talks in Beijing this week highlight China's increased interest in cultivating better relations with Communist parties in Western Europe. The Chinese recently have supported the Italian Communists in their dispute with Moscow and reportedly will reestablish relations with the Dutch Communist Party, which is upset by Soviet policy in Poland. Following the meetings this week, China has issued an open-ended invitation to French Communist leader Marchais to visit Beijing.//

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